National Energy Board | Office national de l'énergie

Quarterly Financial Report
For the quarter ended 30 June 2012

Statement outlining results, risks and significant changes in operations, personnel and program

Introduction

The quarterly financial report for the National Energy Board (NEB or Board):

- should be read in conjunction with the Main Estimates;
- has been prepared by management as required by section 65.1 of the *Financial Administration Act* and in the form and manner prescribed by the Treasury Board; and
- has not been subject to an external audit or review.

The Board's top priorities are the protection of the environment, and the safety of the public and the people who build and operate NEB-regulated pipeline facilities. The Board has taken action to hold those we regulate accountable for results in the public interest with a rigorous compliance monitoring and enforcement program.

A summary description of the NEB's program activities can be found in *Part II of the Main Estimates*.

The NEB receives most of its funding through annual Parliamentary authorities. The majority of these expenditures are subsequently recovered from the companies regulated by the NEB and the funds are deposited in the Consolidated Revenue Fund of the Government of Canada.

Basis of Presentation

This quarterly report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the National Energy Board's spending authorities granted by Parliament and those used by the department, consistent with the Main Estimates and Supplementary Estimates for the 2012-13 fiscal year. This quarterly report has been prepared using a special purpose financial reporting framework designed to meet financial information needs with respect to the use of spending authorities.

The authority of Parliament is required before moneys can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts or through legislation in the form of statutory spending authority for specific purposes.

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The National Energy Board uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental performance reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

Highlights of Fiscal Quarter and Fiscal Year to Date Results

Actual Expenditures

The department's quarterly and year-to-date spending is generally in line with that of the previous year. The $0.2M decrease in Professional and special services resulted from the completion of two significant software development projects. During the first quarter of 2011-12 contractor expenditures for these projects were $298K compared to $85K for the same period in 2012-13.

Planned Expenditures

The notable variances in planned expenditures between 2011-12 and 2012-13 are as follows:

- Total planned spending for personnel has decreased by $3.1M in 2012-13 due to expiration of the collective agreement ($2.5 M) and corresponding reduced EBP ($0.6 M)

- Transfer Payments represents the NEB's Participant Funding Program (PFP) which is used to provide financial assistance to support the engagement of Aboriginal groups, landowners, not-for-profit organizations and other eligible persons in the regulatory assessment processes for major facility projects. The increase of 217% or $3.0M in planned spending from 2011-12 to 2012-13 reflects a specific purpose one time increase in funding.

Risks and Uncertainties

The NEB operates within an evolving economic, environmental and social landscape. Dynamics such as high levels of sovereign debt in industrialized economies worldwide and an abundant energy supply in North America have impacted energy markets. Due to the nature of its mandate, the NEB's expenditures are influenced by planned and unplanned events (internal and external) that create uncertainty in expenditures and resource pressures.

The skills and experience needed by the NEB to fulfill its mandate are in high demand throughout the oil and gas industry. The NEB has experienced increasing attrition rates and non-productive staffing processes, highlighting a potential return to the very competitive hiring environment for skilled staff within the energy sector of recent years. To mitigate this risk, the NEB has initiated a strong and strategic focus on recruitment and retention to ensure it has the right people, at the right time, for the right jobs.

The pending result of the ongoing negotiations related to the expiration of the current collective agreement on 31 October 2011 also creates a level of uncertainty related to staffing expenditures for the next few years.

Significant Changes in Relation to Operations, Personnel and Programs

The approval of additional personnel to enhance priority processes for the National Energy Board will result in an increase to NEB authorities.

Approval by Senior Officials

Approved by,

Gaétan Caron, Chair and CEO

Ed Jansen, Chief Financial Officer

(Calgary, Canada)
(29 August 2012)

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For the quarter ended *June 30, 2012*

STATEMENT OF AUTHORITIES (unaudited)

(in thousands of dollars)	Fiscal year 2012-2013			Fiscal year 2011-2012		
	Total available for use for the year ending March 31, 2013	Used during the quarter ended June 30, 2012	Year to date used at quarter-end	Total available for use for the year ended March 31, 2012	Used during the quarter ended June 30, 2011	Year to date used at quarter-end
Vote 25 - Net Operating expenditures	52,592	12,343	12,343	52,730	12,491	12,491
Budgetary statutory authorities	6,495	1,624	1,624	7,099	1,775	1,775
Total Budgetary authorities	**59,087**	**13,967**	**13,967**	**59,829**	**14,266**	**14,266**
Non-budgetary authorities						
Total authorities	**59,087**	**13,967**	**13,967**	**59,829**	**14,266**	**14,266**

More information is available in the attached table.

** Includes only Authorities available for use and granted by Parliament at quarter-end.*

DEPARTMENTAL BUDGETARY EXPENDITURES BY STANDARD OBJECT (unaudited)

(in thousands of dollars)	Fiscal year 2012-2013			Fiscal year 2011-2012		
	Planned expenditures for the year ending March 31, 2013	Expended during the quarter ended Month June 30, 2012	Year to date used at quarter-end	Planned expenditures for the year ending March 31, 2012	Expended during the quarter ended Month June 30, 2011	Year to date used at quarter-end
Expenditures:						
Personnel	43,395	11,871	11,871	46,534	12,030	12,030
Transportation and communications	3,065	614	614	3,644	624	624
Information	568	119	119	361	42	42
Professional and special services	5,335	880	880	5,918	1,118	1,118
Rentals	341	74	74	328	41	41
Repair and maintenance	681	162	162	716	297	297
Utilities, materials and supplies	454	57	57	564	70	70
Acquisition of land, buildings and works	-	-	-	49	-	-
Acquisition of machinery and equipment	908	76	76	296	25	25
Transfer payments	4,340	64	64	1,366	-	-
Public debt charges	-	-	-	-	-	-
Other subsidies and payments	-	50	50	53	19	19
Total net budgetary expenditures	**59,087**	**13,967**	**13,967**	**59,829**	**14,266**	**14,266**